GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:977
ANSWERED ON:22.07.2016
Performance of MFIs
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Will the Minister of FINANCE be pleased to state:

(a) whether the Micro Finance Institutions (MFIs) including Local Area Banks (LABs) are functioning satisfactorily and have a significant positive effect on the economy of the country;
(b) if so, the details thereof and if not, the reasons for their failure; and
(c) the steps taken by the Government to improve the condition of these MFIs and Labs?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE)

(a) & (b): Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFIs) having legal company structure are regulated by Reserve Bank of India (RBI). As per RBI, these MFIs are functioning satisfactorily and have a positive impact on the economy of the country. Number of such MFIs registered with RBI has increased from 46 in March, 2014 to 70 in March, 2016 and loans and advances of these MFIs has increased from Rs.20,969 crore to Rs.44,557 crore during the same period.

Presently three Local Area Bank (LABs) are in existence viz. Coastal LAB Ltd., Krishna Bhima Samruddhi LAB Ltd. and Subhadra LAB Ltd. These are functioning reasonably well with high Capital to Risk Weighted Assets Ratio (CRAR), negligible NPAs and reasonable profits.

(c): The steps taken by RBI to improve the condition of MFIs and LABs, include inter alia a separate category of NBFC-MFIs, a Self-Regulatory Organisation (SRO) structure, guidelines on Fair Practice Code, interest rate caps to protect customers, LABs owned and controlled by residents made eligible for conversion into Small Finance Bank etc.

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